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AN ACT

RELATING TO PUBLIC EMPLOYEES RETIREMENT; AMENDING A SECTION OF THE
PUBLIC EMPLOYEES RETIREMENT ACT TO CHANGE THE TYPES OF
INVESTMENTS AUTHORIZED FOR STATE RETIREMENT TRUST FUNDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 10-11-132 NMSA 1978 (being Laws 1987, Chapter 253,
Section 132, as amended) is amended to read:

"10-11-132. INVESTMENT OF FUNDS--TYPES OF INVESTMENTS--
INDEMNIFICATION OF BOARD MEMBERS.--The funds created by the state retirement
system acts are trust funds of which the retirement board is trustee. Members of the
retirement board jointly and individually shall be indemnified from the funds by the
state from all claims, demands, suits, actions, damages, judgments, costs, charges
and expenses, including court costs and attorney fees, and against all liability losses
and damages of any nature whatsoever that members shall or may at any time sustain
by reason of any decision made in the performance of their duties pursuant to the
state retirement system acts. The retirement board may invest and reinvest the funds
in the following classes of securities and investments:

A. bonds, notes or other obligations of the United States treasury or
those guaranteed by or for which the credit of the United States government is
pledged for the payment of the principal and interest;

B. bonds, notes or other obligations of a municipality or other political
subdivision of this state that are registered by the United States securities and
exchange commission, are publicly traded and are issued pursuant to a law of this
state if the issuer, within ten years prior to making the investment, has not been in
default in payment of any part of the principal or interest on any debt evidenced by its
bonds, notes or other obligations. If any bonds are municipal or county utility revenue
bonds or utility district revenue bonds, the revenues of the utility, except for operation
and maintenance expenses, shall be pledged wholly to the payment of the interest and

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1 principal of the indebtedness and the utility project shall have been completely self-
2 supporting for a period of five years next preceding the date of investment;

3 C. stocks, bonds, debentures or other obligations issued by any
4 agency or corporation of the United States government under the authority of acts of
5 the United States congress;

6 D. collateralized obligations held in trust that:

7 (1) are publicly traded and are registered with the United
8 States securities and exchange commission; and

9 (2) have underlying collateral that is either an obligation of the
10 United States government or else has a credit rating above or equal to BBB according
11 to the Standard and Poor's rating system or Baa according to the Moody's investors
12 rating system;

13 E. bonds, notes, commercial paper or other obligations of any
14 corporation organized and operating within the United States; provided that the
15 securities shall have a minimum credit rating of B according to the Standard and
16 Poor's rating system or B according to the Moody's investors rating system or their
17 equivalents; and provided that not more than ten percent of the funds for which the
18 retirement board is trustee shall at any one time be invested in debt obligations of
19 corporations with a credit rating less than BBB according to the Standard and Poor's
20 rating system or Baa according to the Moody's investors rating system of their
21 equivalents;

22 F. preferred stock, common stock, any security convertible to common
23 stock or American depository receipts that are registered by the United States
24 securities and exchange commission of any corporation organized and operating
25 within the United States whose securities are listed on at least one stock exchange that
has been approved by or is controlled by the United States securities and exchange
commission or on the national association of securities dealers national market;
provided that the corporations shall have minimum shareholders' equity of twenty-five
million dollars (\$25,000,000) and that the funds of which the retirement board is

1 trustee shall not be invested in more than ten percent of the voting stock of a
2 company; and further provided that investing with enhanced index managers using
3 futures and options is permitted solely for the purpose of adding incremental value
4 and controlling risk and not for speculation;

5 G. obligations of non-United States governmental or quasi-
6 governmental entities, and these may be denominated in foreign currencies;
7 obligations, including but not limited to bonds, notes or commercial paper of any
8 corporation organized outside of the United States, and these may be denominated in
9 foreign currencies; or preferred stock or common stock of any corporation organized
10 outside of the United States whose securities are listed on at least one national or
11 foreign stock exchange or are traded in an over-the-counter market, and these may
12 be denominated in foreign currencies. Currency transactions, including spot or cash
13 basis currency transactions, forward contracts and buying or selling options or futures
on foreign currencies, shall be permitted but only for the purposes of hedging foreign
currency risk and not for speculation;

14 H. stocks or shares of a diversified investment company registered
15 under the federal Investment Company Act of 1940, provided that the investment
16 company has total assets under management of at least one hundred million dollars
17 (\$100,000,000); individual, common or collective trust funds of banks or trust
18 companies, provided that the investment manager has assets under management of
19 at least one hundred million dollars (\$100,000,000); provided that the board may allow
20 reasonable administrative and investment expenses to be paid directly from the
income or assets of these investments;

21 I. contracts, including contracts through its designated agent, for the
22 temporary exchange of securities for the use by broker-dealers, banks or other
23 recognized institutional investors, for periods not to exceed one year, for a specified
24 fee or consideration; provided no such contracts shall be entered into unless the
25 contracts are fully secured by a collateralized, irrevocable letter of credit running to the
retirement board, cash or equivalent collateral of at least one hundred two percent of

1 the market value of the securities plus accrued interest temporarily exchanged, which
2 collateral shall be delivered to the state fiscal agent or its designee
3 contemporaneously with the transfer of funds or delivery of the securities; and further
4 provided that such contracts may authorize the retirement board to invest cash
5 collateral in instruments or securities that are authorized investments for the funds and
6 may authorize payment of a fee from the funds or from income generated by the
7 investment of cash collateral to the borrower of securities providing cash as collateral,
8 and the retirement board may apportion income derived from the investment of cash
9 collateral to pay its agent in securities lending transactions; and

10 J. contracts for the present purchase and resale at a specified time in
11 the future, not to exceed one year, of specific securities at specified prices at a price
12 differential representing the interest income to be earned by the retirement board. No
13 such contract shall be entered into unless the contract is fully secured by obligations
14 of the United States, or other securities backed by the United States, having a market
15 value of at least one hundred two percent of the amount of the contract. The collateral
16 required in this section shall be delivered to the state fiscal agent or his designee
17 contemporaneously with the transfer of funds or delivery of the securities, at the
18 earliest time industry practice permits, but in all cases settlement shall be on a same
19 day basis. No such contract shall be entered into unless the contracting bank,
20 brokerage firm or recognized institutional investor has a net worth in excess of five
21 hundred million dollars (\$500,000,000)."
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